

A meeting of the State Lands Commission was held in the office of the State Lands Commission, State Building, Los Angeles at 10 o'clock A. M., February 17, 1941.

Present were:

George Killion, Chairman,
Harry B. Riley, Member,
Ellis E. Patterson, Member.

Absent was:

None.

The Executive Officer stated that minutes of the Commission of January 10, 15, 16, 21 and 22, 1941, had been submitted to the Commission for consideration.

Upon motion of Mr. Patterson, seconded by Mr. Riley, and un-animously carried, resolution was adopted approving and confirming the minutes of the meetings of January 10, 15, 16, 21 and 22, 1941.

The Commission was advised that office space is needed by gauger at Rio Vista. The gauger has reported he is able to obtain a detached room in the house rented by him for \$15.00 per month. The Commission instructed the Executive Officer to ascertain whether the landlord would be willing to accept \$10.00 per month for one year.

Further consideration was given by the Commission to a letter dated September 10, 1937, signed by Kenneth R. Kingsbury, the late President of the Standard Oil Company of California, delivered to the State concurrently with the execution of Agreement for Easement No. 338, Huntington Beach. In this communication, the Standard Oil Company agreed to match any higher royalty rate schedule paid by well or wells drilled into any leased parcel, in which one or more of the six wells described in the herein numbered easement had been completed.

Mr. Hortig made a report and recommendation to the Commission which is in agreement in principal with construction placed upon the letter by attorneys of Standard Oil Company of California, to wit, that the P. E. Well No. 1 described in the herein numbered easement is contained in a leased parcel described in Agreement for Easement No. 392, Huntington Beach, and should be required to match the higher royalty rate schedule now being paid to the State on oil produced from said parcel. Mr. Hortig's calculations of the additional amount of royalty which would have been due in September 1940 is higher than that suggested by Standard Oil Company of California probably due to failure of the latter to take into consideration gas and gasoline.

Upon motion of Mr. Patterson, seconded by Mr. Riley, and un-animously carried, a resolution was adopted approving construction placed upon said letter of Standard Oil Company of California dated September 10, 1937, and accepting proposal of Standard Oil Company of California to pay additional royalty on said Well P. E. No. 1 from September 1, 1940.

Thomas J. Simmons, President of Bolsa Chica Oil Corporation, together with W. S. Pallette, Esq., of Messrs. Overton, Lyman and Plumb, Attorneys at Law, appeared before the Commission with reference to notice of the Commission heretofore given to cancel State Oil and Gas Lease No. 191. After hearing from Mr. Simmons and Mr. Pallette, and following the discussion of the problem, upon motion of Mr. Riley, seconded by Mr. Patterson, and unanimously carried, a resolution was adopted directing the Executive Officer to advise Aliso Oil Company holder of said lease, and Bolsa Chica Oil Corporation, that the State would be agreeable to further prospecting upon the premises, all to be completed within a period of three months of the date hereof on the condition that the lessee now quitclaim to the State all of the lands described in the lease, except a compact area of ten acres, and give consent to State to issue surface and sub-surface easements with respect to such ten acre area; that the lessee, within ninety days from date hereof, will commence bonafide sub-surface prospecting operations upon such ten acre area and will proceed with diligence to determine whether oil is contained in such ten acre area in paying quantities; should the lessee not find oil in paying quantities then lessee shall quitclaim such ten acre area to the State and surrender the lease; in no event shall lessee drill more than one well on such ten acre area capable of producing oil in paying quantities.

Mr. Thomas J. Simmons, President, Bolsa Chica Oil Corporation, and W. S. Pallette of Messrs. Overton, Lyman and Plumb, appeared before the Commission with reference to redrilling of well described in Agreement for Easement No. 290, Huntington Beach.

Following discussion with Mr. Simmons, his attorney and members of the staff, upon motion of Mr. Riley, seconded by Mr. Patterson, resolution was adopted authorizing and directing the Executive Officer to give notice of intention of the State Lands Commission to cancel said easement unless within thirty days from the date of the notice, the grantee had taken bonafide steps to restore the well to production and to produce oil and gas from said well.

Application of Union Oil Company of California for an easement over certain premises of the State at Point San Luis for operation and maintenance of a wharf already constructed upon said lands was presented to the Commission for consideration. Upon motion of Mr. Patterson, seconded by Mr. Riley, and unanimously carried, a resolution was adopted authorizing and directing the Executive Officer to deliver to the Director of Finance for consideration under Section 675 of the Political Code, with the approval of the State Lands Commission, whereby the Union Oil Company of California would be granted an easement over the lands of the State described in the application for a period of twenty-five years from the date hereof, at an advance consideration of \$2500.00, and otherwise in accordance with the form of easement heretofore issued for such class of lands and for such purpose.

David R. Faries, Esq., Attorney at Law, and John Marion, appeared before the Commission to present a program for the restoration of production from well described as "W. K. " No. 2 in Agreement for Easement No. 336, Huntington Beach.

Mr. Faries advised the Commission that the Mar Rico Oil Company, a corporation, held an option whereby it could acquire all of the stock and control of the W. K. Company, a corporation, but asked the Commission whether Mar Rico Oil Company would be permitted to go forward with work in said well upon acquisition of the W. K. Company.

Following discussion with Mr. Faries and members of the staff, upon motion of Mr. Patterson, seconded by Mr. Riley, and unanimously carried, a resolution was adopted directing Executive Officer to advise Mar Rico Oil Company, a corporation, of the outstanding notice of intention of the State to cancel said easement insofar as it pertains to well known as W. K. No. 2 unless on or before February 22, 1941, bonafide steps shall have been taken to restore said well to production, and that should the Mar Rico Oil Company be unable to restore the well to production and desire to redrill the well, all of the conditions of the Commission contained in rules and regulations adopted by the Commission should be observed by the applicant, and, further, that any bonafide step or steps taken on or before February 22, 1941, and prosecuted with diligence to restore the well to production would be considered as a correction of the default of which complaint has been made by the Commission in notice hereinbefore mentioned.

The Executive Officer presented a statement of the Attorney General in the sum of \$100.00 representing cost to the Attorney General for statements with reference to alleged trespassing into the tidelands and submerged lands at Venice. Upon motion of Mr. Riley, seconded by Mr. Patterson, and unanimously carried, a resolution was adopted authorizing and directing payment of said obligation.

At 12 M., a recess was taken until 2:30 P. M. of to-day.

At 2:30 P. M., the meeting of the morning was resumed.

Present were:

George Killion, Chairman,
Harry B. Riley, Member.

Absent was:

Ellis E. Patterson, Member.

Mr. Hortig reported to the Commission that the lessee of State Oil and Gas Lease No. 91 was required by the provisions of the lease to drill four oil wells on or before November 12, 1933, of which two were actually drilled and that the total requirements to conform to the provisions of the lease would have been nine wells by November 12, 1941, however, suspension of all drilling requirements by the Chief of the Division August 3, 1935, such suspension

to continue until written notice be given by the State to resume drilling. Mr. Hortig further explained that Section 2 (h) of said lease permits suspension only temporarily and he further stated that the agent of the lessee had requested permission of the State to remove a portion of the pier which would include the drilling boilers from which he concluded there is no intention to resume the drilling program. He recommended the termination of the temporary suspension and that the lessee be required to go forward with the drilling requirements or quitclaim an appropriate area. After discussion, upon motion of Mr. Riley, seconded by Mr. Killion, and unanimously carried, a resolution was adopted directing the Executive Officer to give notice to the lessee of State Oil and Gas Lease No. 91 of termination of the suspension heretofore given by the Chief of the Division of State Lands on August 3, 1935, and that the lessee be advised of demand of the Commission that it perform all the provisions of the lease including the drilling of the number of wells which it is required to drill after the giving of the notice of termination of suspension, and, further, that, in the event of the unwillingness of the lessee to perform drilling requirements and other covenants, that it quitclaim in accordance with the terms of the lease or on its refusal to do so, that notice of intention of the Commission be given to terminate said lease.

Mr. Hortig reported to the Commission that notice was given to the lessee of State Oil and Gas Lease No. 94 October 31, 1938, to perform covenants contained in lease with respect to drilling, but that the lessee has virtually abandoned the tideland well and has commenced a program to remove the derrick and pier. He further advised that there being no upland production, there is no need to require offsetting by means of tideland wells. It was recommended to the Commission that notice of cancellation be given with exercise of the option by the State for removal of all structures on the premises described in the lease. Upon motion of Mr. Riley, seconded by Mr. Killion, and unanimously carried, a resolution was adopted directing the Executive Officer to advise the lessee of State Oil and Gas Lease No. 94 of the intention of the State to cancel said lease in accordance with the terms of the lease, and further, advise said lessee that the State exercise its option to have the lessee remove piers and other structures and all debris from the demised premises.

The Executive Officer reported receipt of a letter to the Commission from Mr. Leroy Edwards, Vice President and General Manager, Pacific Lighting Corporation, whereby Pacific Lighting Corporation offered to pay the State of California, a rental of \$100.00 a month for use of the State's share of the natural gas reservoir at Goleta. After discussion, Dr. Soper and the Executive Officer were directed to conduct further negotiations with Mr. Edwards in an endeavor to obtain a royalty commitment whereby the State would be paid approximately 75% of the net profits upon gas sold from the State's ratio of interest in the reservoir.

Mr. Hortig presented a report to the Commission with respect to State Oil and Gas Lease No. 82 whereby it appeared that the

steel and concrete island from which production had been had was sheared from its foundation by storm early in 1940 and that no production had been had from the lease since that time. During the discussion of the problem, it was suggested to the Commission that it might be better not to take steps to cancel the lease until the legislature had determined whether it would permit slant drilling from piers constructed on areas leased under Chapter 303, Statutes of 1921, as amended. The Commission did direct that demand be made upon the lessee for the rental now delinquent.

Dr. E. K. Soper recommended the undertaking of a program for the establishment of decline curves, well records, and a study of well histories.

The Chairman of the Commission with the approval of Mr. Riley directed that the Executive Officer request the State Personnel Board to create a special classification if an appropriate classification is not in existence and to advise whether or not eligibles may be certified for this type of work, and, in the meantime, that work go forward with the present personnel as suggested by Dr. Soper.

The Executive Officer advised the Commission that Franklin Booth, former lessee of State Mineral Lease No. 268, now cancelled, has filed an application with the Commission for another lease of the same property. The Commission directed that the application be passed temporarily.

With respect to the request of Mr. Chas. McWaters, Globe, Arizona, that the Commission request the legislature to broaden the powers, to permit the extraction of minerals from tidelands and submerged lands, the Executive Officer was directed to refer the matter to the State Council for Defense.

The C. A. Hooper & Company, lessee of Lease No. 18, issued under Chapter 69, Statutes of 1929, as amended, made a request to the Commission that it be permitted to surrender a portion of the premises described in the lease, such portion having been rendered unfit because of dredging to channel depth by the Federal Government. The Commission was advised by the Executive Officer that the statute does not permit a partial surrender and he was directed to so advise the lessee.

Upon motion of Mr. Killion, seconded by Mr. Riley, and un-animously carried, a resolution was adopted directing the Executive Officer to request the Personnel Board to certify a list of gaugers willing to accept permanent intermittent employment at Huntington Beach, and to appoint an eligible from such list.

T. L. Atherton, Engineer, read to the Commission a report of a general study of tideland jurisdiction and control of trespassers upon tidelands. After discussion, the Commission directed that the work outlined by Mr. Atherton, in view of reported action by the Federal Government toward claiming the tidelands, proceed step by step only as made necessary by demands upon the State.

The Commission approved the expenditure of moneys for the construction of a tide gauge by Mr. Atherton for use at Goleta in the establishment of line of mean low water.

The State Lands Commission was informed of receipt of request from H. L. Hjelm, Esq., Attorney at Law, Turlock, California, that the hereinafter described lands of the State of California in Stanislaus County, be offered for leases to extract manganese therefrom, and that it appeared from evidence furnished by H. L. Hjelm that said lands, or portions thereof, contain manganese in commercial quantities and should therefore be classified as containing commercially valuable mineral deposits and that the Executive Officer thereupon proceeded to give notice of intention of the State Lands Commission to invite bids for leases.

Upon motion of Mr. Riley, seconded by Mr. Killion, and unanimously carried, a resolution was adopted in confirmation of action taken by the Executive Officer, in words and figures as follows, to wit:

RECITAL:

The State Lands Commission is authorized by the "State Lands Act of 1938" to lease lands belonging to the State which have been classified by the Commission as lands containing commercially valuable mineral deposits to the highest responsible bidder by competitive bid in areas not exceeding 80 acres and tracts which will not exceed in length two and one-half times the width;

NOW THEREFORE BE IT RESOLVED That it appears to, and is hereby the determination of, the State Lands Commission, that manganese is known to be contained in the hereinafter described lands of the State of California and said lands are hereby classified as containing a commercially valuable mineral deposit;

That it is the determination of the Commission that such action be taken in the manner contemplated and authorized by the "State Lands Act of 1938" to lease the hereinafter described lands of the State of California;

That each bid submitted pursuant to this notice shall be accompanied by a certified or cashier's check of a responsible bank in California payable to the Treasurer of the State of California in the sum of \$200, as a deposit of evidence of good faith, and except in the case of the successful bidder or bidders will be returned to the respective bidders. Should the successful bidder fail or refuse to execute the lease within fifteen days of the award thereof by the Commission, the deposit shall be forfeited to the State of California; otherwise the amount of said deposit shall be applied upon the annual rental for the first year, and the balance, if any, be refunded to the lessee;

That bids received pursuant to this notice will be publicly opened at 10 o'clock A. M., February 13, 1941, at Room 302 California State Building, Los Angeles, California, or at such later time, date and place as the Commission shall determine;

That a form of lease prepared by the Commission entitled "State Mineral Lease No. _____" is hereby adopted by the Commission and shall constitute the form of bid for each of the parcels of the hereinafter described lands of the State of California;

That the Executive Officer of this Commission be, and he is hereby authorized and directed to publish notice of intention to offer said parcels of the hereinafter described lands of the State of California for the purpose of extraction of manganese therefrom, in words and figures as follows, to wit:

NOTICE OF INTENTION OF THE STATE LANDS
COMMISSION TO RECEIVE OFFERS TO ENTER INTO LEASES
FOR THE EXTRACTION OF MANGANESE FROM CERTAIN
LANDS OF THE STATE SITUATE IN STANISLAUS
COUNTY, CALIFORNIA.

Notice is hereby given by the State Lands Commission, acting pursuant to the "State Lands Act of 1938" (Chapter 5, Statutes of California, 1938, extra session, of intention to enter into leases for the purpose of extraction of manganese upon these certain parcels of real property situate in the County of Stanislaus, State of California, and more particularly described as follows, to wit:

W $\frac{1}{2}$ of Section 36, T. 4 S., R. 5 E., M.D.M.

Each bid submitted pursuant to this notice shall be accompanied by certified or cashier's check of a responsible bank in California payable to the Treasurer of the State of California in the sum of \$200.00 as a deposit of good faith and except in the case of the successful bidder or bidders will be returned to the respective bidder. Should the successful bidder or bidders fail or refuse to execute the lease within fifteen (15) days of the award thereof by the Commission the deposit shall be forfeited to the State of California, otherwise the amount of said deposit shall be applied upon the annual rental for the first year and the balance, if any, refunded to the lessee.

All bids made pursuant to this notice shall be addressed to the State Lands Commission, sealed and delivered to the State Lands Commission, Room 302 California State Building, Los Angeles, on or before 5 o'clock P. M., of the 11th day of February, 1941. Upon the sealed envelope containing such bid shall be written "Bid of (Name of bidder) made pursuant to notice of intention of the State Lands Commission to enter into lease for extraction of manganese from State lands in the County of Stanislaus, State of California".

Leases may be issued to qualified applicants in areas not exceeding 80 acres and in tracts which shall not exceed in lengths two and one-half times the widths.

Bids received pursuant to this notice will be publicly opened at 10 o'clock A. M., February 13, 1941, in Room 302 California State Building, Los Angeles, California, or at such other place, time and date, as the Commission shall determine.

Form of bid entitled "State Mineral Lease No. _____", may be obtained at the office of the Commission. Room 302 California State Building, Los Angeles, California

The Commission reserves the right to reject any and all bids received pursuant to this notice.

STATE LANDS COMMISSION

By

Webb Shadle,
Executive Officer.

That those certain parcels of lands of the State of California situate in the County of Stanislaus, State of California, are more specifically described as follows, to wit:

W $\frac{1}{2}$ of Section 36, T. 4 S., R. 5 E., M. D. M.

The Executive Officer presented two bids for leases to extract manganese from lands of the State of California of Harold Tripp and Paul Kraft and requestee consent of the Commission to publicly open said bids.

Upon motion of Mr. Riley, seconded by Mr. Killion, and unanimously carried, resolution was adopted authorizing and directing the Executive Officer to open said bids and to read same to the Commission. Thereupon the Executive Officer opened said bids and reported to the Commission as follows:

That Harold Tripp for SW $\frac{1}{4}$ of NW $\frac{1}{4}$ and SE $\frac{1}{4}$ of NW $\frac{1}{4}$, and Paul Kraft for NE $\frac{1}{4}$ of SW $\frac{1}{4}$ and NW $\frac{1}{4}$ of SW $\frac{1}{4}$, of said Section 36,

had each bid royalties as follows:

10% upon the gross value of the mineral produced.

Inasmuch as the State Mineralogist had suggested that "10% on the gross value before deductions" would be a fair royalty to the State, upon motion of Mr. Riley, seconded by Mr. Killion, and unanimously carried, a resolution was adopted awarding leases to the bidders for the lands and at the royalties hereinbefore mentioned, and in accordance with the "State Lands Act of 1938" and rules and regulations of the Commission, and the Executive Officer was directed to execute said leases in the name of the State of California upon behalf of the State Lands Commission and to do such other things as are required to consummate said transactions.

Mr. Aronstein recommended that rule adopted by the Commission on June 17, 1938, directing that written permission be obtained for traveling be rescinded; upon motion of Mr. Riley, seconded by Mr. Killion, and unanimously carried, a resolution was adopted rescinding said rule.

Letter from the State Controller dated February 15, 1941, was read, in which he advised that the sum total of \$55,000.00 should be transferred from the State Lands Act Fund to the General Fund and State Park Maintenance and Acquisition Fund in percents of 70 and 30, respectively.

Upon motion of Mr. Riley, seconded by Mr. Killion, and unanimously carried, a resolution was adopted directing the transfer from the State Lands Act Fund in accordance with the suggestion of the State Controller.

The Executive Officer read a proposed contract with the State Mineralogist for the employment of a District Mining Engineer. The Commission directed that clauses be inserted in the contract to provide for cancellation upon thirty days notice and authority to make specific assignments to such District Engineer and obtain a report directly from him.

The Commission was advised of the jurisdiction of the State Lands Commission over a quarter section of school land in Fish Canyon, Los Angeles County, and that for many years small lots had been rented at rentals between \$15 and \$20 per annum (those lots with cabins from \$20 to \$30 per annum), however at present the maximum being received by the State for a lot with a cabin constructed on it is \$20 per annum and that it would be necessary for the Commission to adopt a resolution advancing the annual rental for lots with cabins from \$20 to \$30.

Upon motion of Mr. Riley, seconded by Mr. Killion, and unanimously carried, resolution was adopted advancing the rate of annual rental for lots with cabins in Fish Canyon from \$20 to \$30.

The Executive Officer explained that the Department of Finance had declined to advance the salary of J. Stuart Watson \$10.00 per month. Mr. Killion directed that communication be sent to Mr. Links again requesting such advance.

The Executive Officer explained to the Commission that plans and specifications for new building in Huntington Beach would be received within a few days. The Commission directed the Executive Officer to obtain option to purchase desirable lots at Huntington Beach and to report such options to the Commission at the next meeting.

The Commission designated on or about March 12 as the next meeting date at Sacramento.

There being no further business to come before the Commission, the meeting was adjourned.